

CHESHI.COM
网上车市

AUTO MARKET ONLINE

Cheshi Technology Inc.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1490



2021
Interim Report

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Corporate Information



DIRECTORS

Executive Directors

Mr. Xu Chong (徐翀)
Mr. Liu Lei (劉磊)
Mr. Zhu Boyang (朱博揚)
Mr. Lin Yuqi (林渝奇)

Independent Non-executive Directors

Mr. Xu Xiangyang (徐向陽)
Mr. Li Ming (李明)
Mr. Ng Jack Ho Wan (alias Ng Jacky) (吳浩雲)

AUDIT COMMITTEE

Mr. Ng Jack Ho Wan (alias Ng Jacky) (吳浩雲) (*Chairman*)
Mr. Xu Xiangyang (徐向陽)
Mr. Li Ming (李明)

REMUNERATION COMMITTEE

Mr. Xu Xiangyang (徐向陽) (*Chairman*)
Mr. Lin Yuqi (林渝奇)
Mr. Ng Jack Ho Wan (alias Ng Jacky) (吳浩雲)

NOMINATION COMMITTEE

Mr. Xu Chong (徐翀) (*Chairman*)
Mr. Xu Xiangyang (徐向陽)
Mr. Li Ming (李明)

AUTHORISED REPRESENTATIVES

Mr. Zhu Boyang (朱博揚)
Ms. Leung Shui Bing (梁瑞冰) (ACG, ACS)

JOINT COMPANY SECRETARIES

Mr. Zhu Boyang (朱博揚)
Ms. Leung Shui Bing (梁瑞冰) (ACG, ACS)

AUDITOR

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Registered Public Interest Entity Auditor
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COMPLIANCE ADVISER

Somerley Capital Limited

HONG KONG LEGAL ADVISER

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COMPANY WEBSITE

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STOCK CODE

1490



Management Discussion and Analysis

Market Overview

2021 represents a year full of challenges and opportunities for the automobile industry. According to the CIC Report, based on the steady growth of the overall automobile market and the emergence of online advertising, automobile advertising expenditure is forecasted to reach RMB49.4 billion by 2024, representing a CAGR of 3.3% from 2019, while the expenditure of the automobile online advertising market is expected to reach RMB28.9 billion by 2024, representing a CAGR of 8.6% from 2019. Furthermore, it was noted from public sources that online auto advertisements penetration, in terms of online auto advertisements spending as a percentage of total auto advertisements spending, has increased from 33.7% in 2015 to 55.3% in 2020 and is expected to continue to increase to 56.0% by 2021.

With the weakening impact of the COVID-19 outbreak, automobile sales and marketing expenditures in the first half of 2021 have rebounded comparing to the corresponding period in 2020. Following the continuous shift of automobile marketing budget from offline to online and the emergence and development of 5G technology, artificial intelligence, big data and algorithms, innovative and interactive online advertising tools and given the Group's sophisticated and strong in-house technology capabilities, the Company believes that it is in an advantageous position to develop its business and capture new business opportunities. Moreover in mid-2020, China's automobile industry has also recovered strongly. In light of the continuous recovery of the automobile industry, the Company obtained positive results by generating approximately RMB94.2 million in revenue for the six months ended June 30, 2021 as compared to approximately RMB58.9 million for the corresponding period in 2020.

Group Overview

Founded in September 2015, the Group has developed into one of the leading automobile vertical media advertising platforms in China and is committed to provide its business partners and end users with comprehensive and high-quality automobile content and one-stop marketing solutions. The automobile content is produced by the Group's in-house content team and distributed across its proprietary platforms, comprising of the Group's PC websites, mobile websites and mobile applications and a network of over 1,000 business partner platforms. The Group's widely distributed content drives high user traffic which in turn attracts automobile advertisers to use its advertising services and which in turn would solidify the Group's market position in the automobile vertical media advertising industry.

Following the successful Listing on January 15, 2021, the Company has access to the capital markets in Hong Kong which could enhance its financial position and brand awareness. Furthermore, the Company's business partners and customers' confidence towards the Group as well as its employees' sense of belonging increased. In 2021, the Company is committed to continue expanding its business operations, strengthen its competitiveness among its competitors and increase its market share by producing high quality automobile content and will look to develop relationships with more business partner platforms to enhance its brand awareness and gain more customer recognition.



Business Overview

Following the recovery of the automobile industry in 2021, the Group recorded an increase of revenue generated from the Group's Transaction Facilitation Services by approximately 228.8%, from approximately RMB0.2 million for the six months ended June 30, 2020 to approximately RMB0.6 million for the six months ended June 30, 2021. For the six months ended June 30, 2021, the Group recorded an increase of revenue generated from the Group's Online Advertising Service by approximately 59.4% from approximately RMB93.6 million as compared to approximately RMB58.7 million for its corresponding period in 2020. This was attributable to the fact that both the number and amount of orders from customers increased as compared with that of the corresponding period. As a result, the Group's revenue amounted to approximately RMB94.2 million for the six months ended June 30, 2021, representing an increase of approximately 59.9% from the six months ended June 30, 2020 and its gross profit for the six months ended June 30, 2021 amounted to approximately RMB76.7 million, increasing by approximately 55.3% as compared to the corresponding period in 2020. The Group's net profit amounted to approximately RMB16.1 million for the six months ended June 30, 2021, representing a decrease of 34.8% from the corresponding period in 2020, due to the increase of the Company's equity incentive expenses and sales and R&D expenses. The Group's adjusted net profit as adjusted by adding back or excluding (i) share-based compensation expenses, (ii) listing expenses, and (iii) fair value gain on convertible redeemable preference shares amounted to approximately RMB32.7 million for the six months ended June 30, 2021, representing an increase of 45.7% from the corresponding period in 2020, due to the weakened impact from the pandemic and the increased number and amount of orders from customers in the first half of the year. For further details of the Group's adjusted net profit and the calculation, please refer to the paragraphs headed "Other Financial Information (Non-IFRS measures): Adjusted net profit" in this report.

Set out below are the important milestones of the Group's businesses for the six months ended June 30, 2021:

(1) The Group continued to strengthen its leading market position in the automobile advertising industry in the PRC

For the six months ended June 30, 2021, the Company continued to optimize and improve its automobile new media content matrix. The Company now has several leading vertical automobile platforms such as Cheshi.com, xnews18.com (網新社), pika18.com (皮卡車市) and haoche18.com (豪車事). The Company can publish contents across platforms throughout the whole internet by one click through its self-developed vertical cloud service system, Picker. Meanwhile, the Company strengthened the creation of short-form video content and put more investment in operation in the first half of 2021, in which two proprietary IPs, "Cheshi.com" and "xnews18.com" have always ranked near the top of influence lists of mainstream vertical media and social media for a long time.

(2) The establishment of strategic cooperation with ICBC

The Company established a strategic cooperation relationship and entered into a cooperation agreement with ICBC in the first half of 2021 for the provision of all-around automobile information and data services.

(3) The continual development of the Group's SaaS services

The Group had made certain improvement of SaaS services for the first six months of 2021, including product development and function upgrading. At present, it has three products which can help users to acquire customers precisely, provide digital marketing and empower customer management. Based on the combination of cloud management platform, big data and artificial intelligent core algorithm, the Group aims to provide the automobile industry with all-around, digital and cross-platform marketing solutions through its SaaS services.



Outlook

In the second half of 2021, the Company intends to continue to build on its future business plans and strategies. Such development initiatives include:

(1) Solidifying the Group's market position in the automobile vertical media advertising industry

The Group plans to enhance the quality and quantity of its PGC, enhance its brand awareness and collaboration with KOLs, strengthen the collaboration with its business partners and expand its geographical coverage and user base in tier three and lower cities and extend the Company's customer base.

(2) Strengthening the Group's research and development and further enhancing its IT systems, products development and SaaS services

The Group plans to optimize its Picker engine, enhance its IT systems infrastructure by installing new computer servers, improve its SaaS services and develop new and efficient technological products and tools, which could help automakers and auto dealers in their R&D and marketing processes as well as provide them with targeted and precise one-stop marketing and after-sales services.

The Company also aims to provide automakers and auto dealers in China with high-quality technical services and SaaS services, which helps them in their provision of R&D, marketing, sales and after-sales services throughout the automobile life cycle. The Company's provision of SaaS services also collects useful user data and information on its end-to-end delivery capabilities which in doing so the Company can improve its service delivery to meet the different needs of its users and customers and create added value for its own business development.

(3) Selectively pursuing strategic alliance, investment and acquisition opportunities

The Company plans to evaluate and selectively pursue strategic alliance, investment and acquisition opportunities to complement its existing services and strategies. Its search criteria for suitable targets include PGC producers, we-media advertising platforms and enterprises in automobile technology and new energy fields, etc., which (i) can create synergy with the business of the Group through their services and core technologies; (ii) have good user traffic; and (iii) in sound and stable financial condition.

(4) Actively exploring commercial opportunities in the automobile industrial internet

The Group plans to actively provide platform and technology empowering to enterprises in the upstream and downstream of the industry chain through innovative model and optimized business, and carry out prospective planning and layout in automobile travel, financial leasing, used car transaction and other fields, promoting the digital upgrading of the industry chain and improving the industrial efficiency.



FINANCIAL SUMMARY

	Six months ended June 30,		Changes %
	2021 RMB'000	2020 RMB'000	
Revenue	94,165	58,897	59.9
Gross profit	76,734	49,425	55.3
Profit for the period attributable to owners of the Company	16,114	24,707	(34.8)
Adjusted net profit ⁽¹⁾	32,687	22,441	45.7

(1) Adjusted net profit is defined as profit for the period adjusted by adding back or excluding share-based compensation expenses, listing expense, and fair value gain on convertible redeemable preference shares. This represents a non-IFRS financial measure. Please also see paragraph headed "Other Financial Information (Non-IFRS Measures): Adjusted Net Profit" below.

FINANCIAL REVIEW

Revenue

For the six months ended June 30, 2021, the Group's total revenue was approximately RMB94.2 million, representing an increase of approximately RMB35.3 million, or approximately 59.9%, from approximately RMB58.9 million for the six months ended June 30, 2020. The increase in revenue was mainly due to the increase in revenue generated from the Group's Online Advertising Services by approximately RMB34.9 million, or approximately 59.4%, from approximately RMB58.7 million for the six months ended June 30, 2020 to approximately RMB93.6 million for the six months ended June 30, 2021.

Operating expenses

The Group's operating expenses increased by approximately RMB40.5 million, or approximately 99.4%, from approximately RMB40.7 million for the six months ended June 30, 2020 to approximately RMB81.2 million for the six months ended June 30, 2021. The increase was mainly due to (i) the increase in marketing and promotion expenses by approximately RMB5.0 million, or approximately 94.9%, to approximately RMB10.3 million for the six months ended June 30, 2021 from RMB5.3 million for the six months ended June 30, 2020 due to the increase in revenue from main operations; (ii) the increase in employee benefit expenses by approximately RMB21.2 million, or approximately 108.8%, to approximately RMB40.7 million for the six months ended June 30, 2021 from approximately RMB19.5 million for the six months ended June 30, 2020 which was primarily attributable to the share-based payment to the management of RMB14.5 million; (iii) the increase in website maintenance and internet improvement expenses by approximately RMB7.9 million, or approximately 641.2%, to approximately RMB9.1 million for the six months ended June 30, 2021 from approximately RMB1.2 million for the six months ended June 30, 2020 as the Group decided to allocate more resources to its website maintenance and internet improvement in 2021 which is in line with the Company's use of net proceeds from the Listing; (iv) the increase in advertisement production and other expenses by approximately RMB3.7 million, or approximately 76.1%, to approximately RMB8.5 million for the six months ended June 30, 2021 from approximately RMB4.8 million for the six months ended June 30, 2020 as while the auto shows were cancelled during the first six months in 2020, the auto shows were normally held during the first six months in 2021 leading to an increase of advertisement production and other direct expenses.

Gross profit and gross profit margin

As a result of the above, gross profit increased by approximately RMB27.3 million, or approximately 55.3%, from approximately RMB49.4 million for the six months ended June 30, 2020 to approximately RMB76.7 million for the six months ended June 30, 2021. Gross profit margin decreased to approximately 81.5% for the six months ended June 30, 2021 from approximately 83.9% for the six months ended June 30, 2020.

Other income

The Group's other income increased by approximately RMB9.0 million, or approximately 541.8%, to approximately RMB10.7 million for the six months ended June 30, 2021 from approximately RMB1.7 million for the six months ended June 30, 2020 mainly due to (i) the increase in government grants by approximately RMB5.0 million, or approximately 1,238.3%, from approximately RMB0.4 million for the six months ended June 30, 2020 to approximately RMB5.4 million for the six months ended June 30, 2021 which is comprised of a government grant obtained from the Chaoyang People's Government of the PRC due to the successful Listing of the Company; and (ii) the increase in consultancy income by approximately RMB4.6 million for the six months ended June 30, 2021 which represents the advisory services in relation to merger and acquisition provided to independent third parties.

Other losses and gains

The Group recorded other net losses of approximately RMB1.1 million for the six months ended June 30, 2021 as compared to other gains of approximately RMB8.4 million for the six months ended June 30, 2020 which was mainly attributable to (i) the decrease in fair value gain on financial assets at fair value through profit or loss by approximately RMB0.9 million, or approximately 51.7%, from approximately RMB1.7 million for the six months ended June 30, 2020 to approximately RMB0.8 million for the six months ended June 30, 2021 as the Company reduced the number of purchases of financial assets at fair value through profit or loss in 2021; (ii) the absence of the fair value gain on convertible redeemable preference shares for the six months ended June 30, 2021 as the 25,000,000 redeemable convertible series A preferred shares had all been automatically converted into fully-paid ordinary shares based on the then-effective conversion price on January 15, 2021; and (iii) the exchange loss in the amount of approximately RMB1.9 million recorded for the six months ended June 30, 2021 as compared with the exchange gain in the amount of approximately RMB0.8 million for the six months ended June 30, 2020. The exchange loss of approximately RMB1.9 million for the six months ended June 30, 2021 was due to fluctuations and changes in exchange rate on the Company's US\$ denominated cash and cash equivalents.

Selling and distribution expenses

For the six months ended June 30, 2021, the Group's selling and distribution expenses amounted to approximately RMB25.2 million, representing an increase of approximately RMB8.4 million, or approximately 50.3%, from approximately RMB16.8 million for the six months ended June 30, 2020 mainly due to the increase in the number of sales personnel as well as the increase in marketing and advertisement optimization expenses.

Administrative expenses

For the six months ended June 30, 2021, the Group's administrative expenses amounted to approximately RMB28.6 million, representing an increase of approximately RMB15.5 million, or approximately 119.0%, from approximately RMB13.1 million for the six months ended June 30, 2020 mainly due to the increases in equity incentive and administrative staff expenses.

Management Discussion and Analysis



Research and development expenses

For the six months ended June 30, 2021, the Group's research and development expenses amounted to approximately RMB9.3 million, representing an increase of approximately RMB6.0 million, or approximately 184.0%, from approximately RMB3.3 million for the six months ended June 30, 2020 mainly due to the fact that the Group increased its investment in the research and development of SaaS products and sped up the iterative upgrade of its current technological products.

Finance costs

For the six months ended June 30, 2021, the Group's finance costs amounted to approximately RMB0.2 million which remained relatively the same during the corresponding period in the previous year.

Income tax expense

For the six months ended June 30, 2021, the Group's income tax expense amounted to approximately RMB6.3 million, representing an increase of approximately RMB2.9 million, or approximately 86.0% from approximately RMB3.4 million for the six months ended June 30, 2020.

Profit for the period

For the six months ended June 30, 2021, profit attributable to owners of the Company was approximately RMB16.1 million (June 30, 2020: approximately RMB24.7 million) representing a decrease of approximately RMB8.6 million, or approximately 34.8%, from the corresponding period in the previous year.

Other Financial Information (Non-IFRS measures): Adjusted net profit

To supplement the Group's consolidated results which are prepared and presented in accordance with International Financial Reporting Standards, the Company utilized non-IFRS adjusted net profit as an additional financial measure. Adjusted Net Profit is defined as profit for the period, as adjusted by adding back or excluding (i) share-based compensation expenses, (ii) listing expenses, and (iii) fair value gain on convertible redeemable preference shares.

Adjusted net profit is not required by, or presented in accordance with, IFRS. The Company believes that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management regarding financial and business trends in relation to their financial condition and results of operations, by eliminating any potential impact of items that the Group's management does not consider to be indicative of the Group's operating performance. The Company also believes that the non-IFRS measures are appropriate for evaluating the Group's operating performance. However, the use of this particular non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, the Group's results of operations or financial conditions as reported under IFRS. In addition, this non-IFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures used by other companies.

The following table set forth reconciliations of the Group's non-IFRS measures for the six months ended June 30, 2021 and 2020 to the nearest measures prepared in accordance with IFRS.

	For the six months ended June 30,				
	2021 RMB'000	% of Total revenue	2020 RMB'000	% of Total revenue	% of period- over- period change
Profit for the period	16,114	17.1	24,707	42.0	(34.8)
Add back/(exclude):					
Share-based compensation expenses	14,486	15.4	–	–	–
Listing expenses	2,087	2.2	3,666	6.2	(43.1)
Fair value gain on convertible redeemable preference shares	–	–	(5,932)	(10.1)	–
Non-IFRS measure adjusted net profit	32,687	34.7	22,441	38.1	45.7

Liquidity and capital resources

As of June 30, 2021, the Group had current assets of approximately RMB515.0 million (December 31, 2020: approximately RMB311.1 million) and current liabilities of approximately RMB58.9 million (December 31, 2020: approximately RMB134.3 million). The current ratio was 8.7 times as at June 30, 2021 as compared with 2.3 times as at December 31, 2020.

As of June 30, 2021, the Group's cash and cash equivalents amounted to approximately RMB273.4 million which is mainly funded from the net cash flows generated from financing activities. The cash and cash equivalents as at June 30, 2021 denominated in RMB, HK\$ and US\$ amounted to approximately RMB73.0 million, approximately HK\$224.1 million and approximately US\$0.2 million, respectively. As at June 30, 2021, the Group did not have any bank borrowings (December 31, 2020: nil) and the Group's gearing ratio is nil (December 31, 2020: nil). The Group monitors and maintains cash and cash equivalents to a level that management believes to be sufficient to meet the Group's operating needs.

	For the six months ended June 30,	
	2021 RMB'000	2020 RMB'000
Net cash generated from operating activities	8,901	31,969
Net cash generated from/(used in) investing activities	52,066	(50,615)
Net cash generated from/(used in) financing activities	186,951	(3,460)
Net increase/(decrease) in cash and cash equivalents	247,918	(22,106)
Cash and cash equivalents as at the beginning of the period	27,382	76,670
Effect of exchange rate difference	(1,945)	767
Cash and cash equivalents as at June 30	273,355	55,331

Management Discussion and Analysis



Operating activities

For the six months ended June 30, 2021, net cash generated from operating activities was approximately RMB8.9 million, which primarily included cash generated from operations of approximately RMB11.3 million for the six months ended June 30, 2021 offset by the income tax paid of approximately RMB2.5 million for the six months ended June 30, 2021. For the six months ended June 30, 2020, net cash generated from operating activities was approximately RMB32.0 million.

Investing activities

For the six months ended June 30, 2021, net cash generated from investing activities was approximately RMB52.1 million which primarily included proceeds from disposal of financial assets at fair value through profit or loss of approximately RMB104.1 million, offset primarily by the purchase of financial assets at fair value through profit or loss of approximately RMB51.1 million. For the six months ended June 30, 2020, net cash used in investing activities was approximately RMB50.6 million.

Financing activities

For the six months ended June 30, 2021, net cash generated from financing activities was approximately RMB187.0 million which primarily included issuance of shares pursuant to the Listing of the Company of approximately RMB241.2 million, offset by (i) the transaction costs attributable to the Listing of the Company of approximately RMB37.8 million; (ii) the payment of lease liabilities of approximately RMB2.8 million; and (iii) the dividend paid of approximately RMB13.6 million. For the six months ended June 30, 2020, net cash used in financing activities was approximately RMB3.5 million.

Capital expenditure

The Group's capital expenditures mainly included (i) purchase of property, plant and equipment such as computer and electronic equipment and office furniture and equipment; and (ii) intangible assets such as computer software. Capital expenditures for the six months ended June 30, 2021 and 2020 are set out below:

	For the six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
Property, plant and equipment	791	1,228
Intangible assets	135	164

Exposure to Fluctuations in Foreign Exchange Rates

The Group's business operations are mainly conducted in the PRC with most of the transactions settled in RMB, being the Group's functional currency. The Board considers that the Group's business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group that are denominated in the currencies other than the respective functional currencies of the Group's entities.

For the six months ended June 30, 2021, the Group neither took part in any derivatives activities nor entered into any hedging activities in respect of foreign exchange risk.

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies. Substantial amounts of the Group's cash and cash equivalent are held in major financial institutions located in the PRC. The Group seeks to maintain strict control over its outstanding receivables and the senior management of the Company reviews and assesses the creditworthiness of the Group's existing customers on an ongoing basis. To manage liquidity risk, the Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations. Cash and cash equivalents of the Group are mainly denominated in RMB.

Capital Structure

The Shares have been listed on the Main Board of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Company since the Listing Date. The capital of the Company comprises ordinary shares.

Pledge of Assets

As of June 30, 2021, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities (December 31, 2020: nil).

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Capital Assets During the Reporting Period

On January 27, 2021, Congshu Beijing Technology Company Limited (縱樹(北京)科技有限公司)("Congshu Beijing"), as the subscriber, subscribed for the Ningyin Mixed Model 90-day Open Wealth Management Product No.2* (寧銀理財寧贏混合類3個月定期開放式理財2號) (the "Ningyin No.2") from the issuer, Bank of Ningbo Co., Ltd. (寧波銀行股份有限公司), at a subscription amount of RMB15.0 million in cash. The subscription of the Ningyin No.2 constituted a disclosable transaction of the Company under the Listing Rules. Please refer to the Company's announcement dated February 4, 2021 for more details.

On May 12, 2021, the two subsidiaries of the Company, Congshu Beijing as limited partner and Beihai Congshu Advertising Media Company Limited (北海縱樹廣告傳媒有限公司) as general partner entered into a partnership agreement with Taoyuan Investment Gongqingcheng Taoyuan Investment Management Co., Ltd.* (共青城韜遠投資管理有限公司) as general partner in relation to the establishment of the partnership fund. Please refer to the Company's announcement dated May 12, 2021 for more details.

* For identification purposes only.

Management Discussion and Analysis



Securities Investment


As at June 30, 2021, the Group held financial assets at fair value through profit or loss of approximately RMB80.9 million.

As at December 31, 2020, the fair value of the Group's investment in Qiyong Net Worth No. 6* (啟盈淨值型6號) was RMB45.9 million, representing approximately 13.53% of the total assets of the Group as at December 31, 2020. Such products had been redeemed in full in January 2021. As the size of the investment exceeded 5% of the total assets of the Group as at December 31, 2020, pursuant to paragraph 32(4A) of Appendix 16 of the Listing Rules, the details of the investment portfolio are disclosed as follows.

Qiyong Net Worth No. 6 is managed by the Bank of Ningbo Co., Ltd. (寧波銀行股份有限公司) who makes investment in assets meeting regulatory requirements with the principal scope of investment including but not limited to treasury bonds, central bank bills, financial bonds, interbank certificates of deposit, credit bonds and cash, interbank assets such as interbank deposits, bond repurchases and interbank lending, money market instruments, derivatives and other assets that meet regulatory requirements, as well as the foregoing assets invested by asset management products issued by other qualified professional investment institutions which are regulated by the financial regulatory authorities.

The Group's total investment costs in Qiyong Net Worth No. 6 were approximately RMB45.1 million. The unrealised gains from changes in fair value and the realised gains from disposal was approximately RMB0.8 million and RMBNil respectively for the year ended December 31, 2020. Qiyong Net Worth No. 6 may be redeemed at any time on working days. As of June 30, 2021, the Group received redemption interest of approximately RMB0.8 million. The Group believes that Qiyong Net Worth No. 6 can bring investment return to the Group and it is advisable for the Group to make use of its idle funds for investment.

The fair value of the Group's investment in Class A Shares participating in VCL Financing Fund Segregated Portfolio (華盛信貸獨立組合基金) (the "**Segregated Portfolio**") was approximately RMB40.5 million as at December 31, 2020 and approximately RMB40.1 million as at June 30, 2021, representing approximately 11.95% and 7.4% of the total assets of the Group as at December 31, 2020 and June 30, 2021, respectively. As the size of the investment exceeds 5% of the total assets of the Group pursuant to paragraph 32(4A) of Appendix 16 of the Listing Rules, the details of the Segregated Portfolio are disclosed as follows.



The Segregated Portfolio is managed by Maam Limited. In terms of investment strategies, the Segregated Portfolio will mainly invest in asset portfolio with low risks, high liquidity and stable income, including, but not limited to debt assets (such as debt securities), money market funds and other securities portfolios. The Segregated Portfolio is a flexible short-term financial product with low risks and stable income. The Group acquired the Segregated Portfolio in December 2020 at a total investment costs of approximately RMB40.5 million. The Group has held the Segregated Portfolio since the date of acquisition, and as of December 31, 2020 and June 30, 2021, the Group received investment dividends of approximately RMB Nil and RMB0.5 million, respectively. The Segregated Portfolio adopt an investment strategy consistent with that of the Group. The unrealized gains/losses from the changes in fair value was RMB Nil and RMB Nil for the year ended December 31, 2020 and for the six months ended June 30, 2021, respectively. Against the backdrop of global market uncertainty, the Group continues to adopt a prudent investment strategy to manage the short-term investment portfolio. The Group expects to gradually reduce its investment amount in the Segregated Portfolio in the future to make sure the Company has sufficient financial liquidity and security. As at December 31, 2020 and June 30, 2021, the Group held 4,657.3896 units and 4,812.4516 units in the Segregated Portfolio, to the best knowledge and information of the Directors, representing approximately 4.67% and approximately 4.50% of the total investment units of the Segregated Portfolio.

As of June 30, 2021, the scale of each other financial assets held by the Company for trading does not exceed 5% of the total assets of the Group. The Company will pay close attention to the performance of the portfolios and make information disclosure in compliance with the Listing Rules.

Save as disclosed herein, for the period ended June 30, 2021 and up to date of this report, the Group did not have any significant investments, acquisitions or disposals of subsidiaries and capital assets.

Contingent Liabilities

As of June 30, 2021, the Group did not have any material contingent liabilities (December 31, 2020: nil).

Employees and Remuneration Policies

As of June 30, 2021, the Group had 223 full-time employees, all of whom were based in China (June 30, 2020: 163). For the six months ended June 30, 2021, the Group's employee benefit and expenses amounted to approximately RMB40.7 million (including salary, wages, and bonuses, pension costs and other social security costs, housing benefits, other employee benefits and share-based compensation).

The Company has established effective employee performance evaluations system and employee incentive schemes to correlate the remuneration of the Group's employees with their overall performance and contribution to the business operation results, and have established a merit-based remuneration awards system. Employees are promoted not only in terms of position and seniority, but also in terms of professional qualifications.

Management Discussion and Analysis



USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Shares were listed on the Main Board of the Stock Exchange on January 15, 2021. The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering of approximately HK\$246.8 million. The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus. The details of intended application of net proceeds from the Global Offering are set out as follows:

Item	Approximate % of total net proceeds (%)	Net proceeds from the Global Offering (HK\$ million)	Utilised up to the date of this report (HK\$ million)	Unutilised as at the date of this report (HK\$ million)	Expected timeline of full utilisation of the unutilised proceeds
Solidify the Company's market position and quantity of its PGC (<i>Note 1</i>)	39.8	98.2	6.0	92.2	By the end of 2023
Strengthen R&D and IT system and develop and promote new products (<i>Note 2</i>)	36.1	89.1	9.4	79.7	By the end of 2023
Future investments and acquisitions (<i>Note 3</i>)	14.1	34.8	0.0	34.8	By the end of 2023
Working capital	10.0	24.7	4.0	20.7	By the end of 2023
Total	100.0	246.8	19.4	227.4	

Notes:

- (1) Solidify the Company's market position and quantity of its PGC by (i) enhancing quality and quantity of the Company's PGC; (ii) strengthening collaboration with business partners with content distribution focus and coverage in tier three and below cities and enhance our brand awareness in first tier cities; and (iii) capturing new customers and business opportunities.
- (2) Strengthen R&D and IT system and develop and promote new products by (i) optimizing the Company's Picker engine; (ii) enhancing the Company's existing IT systems and infrastructure by installing new computer servers; and (iii) developing new products including Vehicle Owner Service (車主服務), Cheshi Hao (車市號), Cheshi Mall (車市商城) and Cheshi VR (車市 Virtual Reality).
- (3) Engage in future investments and acquisitions by investing in targets including PGC producers and we-media advertising companies with (i) capability to produce content with good quality and quantity that can supplement and enrich PGC, such as daily vehicle usage and maintenance, new energy vehicles and used vehicles; (ii) have good user traffic; and (iii) in sound and stable financial condition. The Company also considers to invest in companies which provide technology and service solutions that the Company believes can generate synergy with the Company's Transaction Facilitation Services.

The unutilised net proceeds are placed in licensed banks in Hong Kong as at the date of this report.



SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Reference is made to the proposed change of the English name of the Company from “Cheshi Holdings Limited” to “Cheshi Technology Inc.” and the proposed adoption of the Chinese name of “車市科技有限公司” as the dual foreign name of the Company as set out in the Company’s announcement dated July 6, 2021, circular dated July 29, 2021 and poll results announcement dated August 16, 2021. The Company has received a copy of the certificate of incorporation on change of name issued by the Registry of Companies in the Cayman Islands on August 19, 2021, certifying the Company was incorporated under the name of Cheshi Technology Inc. 車市科技有限公司 from August 19, 2021. The Company is in the process of registering with the Companies Registry of Hong Kong pursuant to Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) in relation to the change of the Company’s name and will further apply to the Stock Exchange for the change in its stock short name. Save as the above, the Group is not aware of any significant events after the six months ended June 30, 2021 and up to the date of this report.

INTERIM DIVIDEND

The Board of the Company does not recommend the payment of an interim dividend for the six months ended June 30, 2021 (June 30, 2020: Nil).

Other Information



CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Save as the deviation disclosed below, the Company had complied with all applicable code provisions set forth in CG Code during the period from the Listing Date to the six months ended June 30, 2021.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The role of Chairman and chief executive officer are both performed by Mr. Xu Chong. Given that Mr. Xu is one of the Group’s founders who had provided strategic guidance and leadership throughout the development of its business, the Board believes that vesting the roles of both Chairman and chief executive officer in Mr. Xu has the benefit of ensuring consistent leadership within the Group, and providing more effective and efficient overall strategic planning and management oversight for the Group. The Board considers that Mr. Xu’s dual role at this stage is conducive to maintaining the continuity of the Company’s policies and the operation efficiency and stability of the Company, which is appropriate and in the best interest of the Company.

The Directors will continue to review and monitor the corporate governance practices of the Group for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions since the Listing Date.

Having made specific enquiry with the Directors, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date to the six months ended June 30, 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

The Company nor any of its subsidiaries has purchased, redeemed or sold any listed securities of the Company during the period from the Listing Date to the six months ended June 30, 2021.

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”), which comprises three independent non-executive Directors, namely, Mr. Ng Jack Ho Wan (chairman), Mr. Xu Xiangyang and Mr. Li Ming. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and the Stock Exchange).

The Audit Committee, together with the management of the Company have reviewed the accounting principles and practices adopted by the Group as well as the unaudited condensed consolidated interim financial information and the interim results announcement of the Group for the six months ended June 30, 2021 and is of the view that the interim results for the six months ended June 30, 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

At the request of the Board, the Company’s external auditor, PricewaterhouseCoopers, has carried out a review of the unaudited condensed consolidated interim financial information in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2021, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

(i) Interests in the Shares and underlying Shares

Name of Director/ Chief executive	Capacity/Nature of Interest	Number of Shares held/interested ⁽¹⁾	Approximate percentage of shareholding ⁽²⁾
Directors			
Mr. Xu ⁽³⁾	Interest in controlled corporation	802,500,000 (L)	65.00%
Mr. Liu Lei	Beneficial interest ⁽⁴⁾	20,000,000 (L)	1.62%
Mr. Lin Yuqi	Beneficial interest ⁽⁴⁾	10,000,000 (L)	0.81%
Chief executive			
Ms. Suo Yan	Beneficial interest ⁽⁴⁾	20,000,000 (L)	1.62%

Notes:

- The letter "L" denotes the person's long position in the relevant Shares or underlying Shares.
- There were 1,234,600,000 Shares in issue as at June 30, 2021.
- Mr. Xu beneficially owns 100% of the issued shares of X Technology. Mr. Xu is deemed, or taken to be, interested in 802,500,000 Shares held by X Technology for the purpose of the SFO.
- Mr. Liu Lei, Mr. Lin Yuqi and Ms. Suo Yan were granted restricted share awards under the SA Scheme. They are deemed to be interested in the issued share capital of our Company for the restricted share awards that have been granted to them pursuant to Part XV of the SFO.

Other Information



(ii) Interests in the shares of the associated corporation

Name of Director	Associated corporation	Capacity/Nature of Interest	Approximate amount of contribution to registered capital/ no. of share held	Approximate percentage of shareholding in the associated corporation
Mr. Xu	Congshu Beijing	Nominee shareholder whose shareholders' rights are subject to contractual arrangements	RMB35,750,000	95.00%
	X Technology	Beneficial Owner	1 share	100.00%

Save as disclosed above, as at June 30, 2021, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, during the period from the Listing Date and up to the date of this report was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2021, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares/underlying Shares held/interested ⁽¹⁾	Approximate percentage of shareholding ⁽²⁾
X Technology ⁽³⁾	Beneficial owner	802,500,000 (L)	65.00%
Ms. Ma Yuanyuan ⁽⁴⁾	Interest of spouse	802,500,000 (L)	65.00%
The Core Trust Company Limited ⁽⁵⁾	Trustee of a trust	80,000,000 (L)	6.48%
TCT (BVI) Limited ⁽⁵⁾	Nominee for another person	80,000,000 (L)	6.48%

Notes:

- The letter "L" denotes the person's long position in the relevant Shares or underlying Shares.
- There were 1,234,600,000 Shares in issue as at June 30, 2021.
- Mr. Xu beneficially owns 100% of the issued shares of X Technology. Mr. Xu is deemed, or taken to be, interested in 802,500,000 Shares held by X Technology for the purpose of the SFO.
- Ms. Ma Yuanyuan is spouse of Mr. Xu. Ms. Ma Yuanyuan is deemed to be interested in all the Shares that Mr. Xu is interested in pursuant to the SFO.
- The Core Trust Company Limited, as a trustee, initially holds 80,000,000 shares in aggregate on trust under the SA and RSU Schemes through SA Nominee and RSU Nominee. Each of the SA Nominee and RSU Nominee is directly wholly-owned by TCT (BVI) Limited, which is in turn indirect wholly-owned by The Core Trust Company Limited.

Save as disclosed above, as at June 30, 2021, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

Other Information



SA Scheme and RSU Scheme

The Group has adopted the SA Scheme and RSU Scheme on June 25, 2019. The purpose of the SA Scheme and RSU Scheme is to incentivise Directors, senior management and employees for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company.

As at June 30, 2021, the Board has granted 80,000,000 restricted share awards (representing 80,000,000 underlying shares of the Company) to certain executive Directors and selected employees of the Group, and 2,170,000 RSUs (representing 2,170,000 underlying Shares) under the RSU Scheme to selected employees of the Group. On February 4, 2021, SA Nominee transferred 20,000,000 Shares to Mr. Zhu Boyang. Save as disclosed herein, as at June 30, 2021, all Shares underlying the restricted share awards and the RSUs are held by the SA Nominee and the RSU Nominee, respectively and none of the restricted share awards and RSUs have been exercised by the grantees.

The total expenses recognised in the condensed consolidated interim income statement for the six months ended June 30, 2021 for the share award and restricted share units granted under the SA Scheme and RSU Scheme are RMB14,478,000 and RMB8,000 respectively.

The above SA Scheme and RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the SA Scheme and RSU Scheme do not involve the grant of options by the Company to subscribe for new Shares. Since the Listing Date, the Company did not have any such share option schemes.



Report On Review of Interim Financial Information



pwc

羅兵咸永道

To the Board of Directors of Cheshi Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 22 to 55, which comprises the interim condensed consolidated statement of financial position of Cheshi Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 31 August 2021

PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Condensed consolidated interim income statement

For the six months ended 30 June 2021

	Note	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Revenue	6	94,165	58,897
Cost of providing services	7	(17,431)	(9,472)
Gross profit		<u>76,734</u>	<u>49,425</u>
Other income	8	10,680	1,664
Other (losses)/gains, net	9	(1,142)	8,366
(Net impairment loss)/reversal of net impairment loss on financial and contract assets	7	(640)	1,873
Selling and distribution expenses	7	(25,235)	(16,794)
Administrative expenses	7	(28,591)	(13,057)
Research and development expenses	7	(9,302)	(3,275)
Operating income		22,504	28,202
Finance income		108	161
Finance costs		(218)	(223)
Finance costs, net		(110)	(62)
Share of loss of an associate		–	(56)
Profit before income tax		22,394	28,084
Income tax expense	10	(6,280)	(3,377)
Profit for the period attributable to owners of the Company		<u>16,114</u>	<u>24,707</u>
Earnings per share for profit attributable to owners of the Company during the period (expressed in RMB per share)			
Basic	11	<u>0.01</u>	<u>0.03</u>
Diluted	11	<u>0.01</u>	<u>0.02</u>

The above condensed consolidated interim income statement should be read in conjunction with the accompanying notes.

Condensed consolidated interim statement of comprehensive income

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Profit for the period	16,114	24,707
Other comprehensive income		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on financial asset at fair value through other comprehensive income	3	–
Other comprehensive income for the period, net of tax	3	–
Total comprehensive income for the period attributable to:		
– Owners of the Company	16,117	24,707

The above condensed consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed consolidated interim statement of financial position

As at 30 June 2021

		As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment and right-of-use assets	13	11,418	13,614
Intangible assets	14	10,437	10,836
Long-term deposits	16	1,597	1,597
Deferred tax assets		1,735	1,790
Financial asset at fair value through other comprehensive income		391	388
		25,578	28,225
Current assets			
Prepayments, deposits and other receivables	16	36,331	22,547
Amounts due from shareholders		–	310
Contract assets		6,516	669
Trade and bill receivables	15	117,883	127,078
Financial assets at fair value through profit or loss	17	80,894	133,083
Cash and cash equivalents		273,355	27,382
		514,979	311,069
Total assets		540,557	339,294
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	18(a)	840	655
Share premium	18(a)	248,088	–
Treasury shares	18(b)	(55)	(69)
Reserves	18(c)	80,949	65,785
Retained earnings		147,441	132,002
Total equity		477,263	198,373

Condensed consolidated interim statement of financial position

As at 30 June 2021

		As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		4,403	6,587
		<u>4,403</u>	<u>6,587</u>
Current liabilities			
Trade payables	19	1,683	3,032
Contract liabilities		5,848	2,280
Accruals and other payables	20	34,673	54,517
Lease liabilities		5,080	5,484
Dividend payable		–	13,600
Income tax payable		11,607	7,680
Convertible redeemable preference shares	23	–	47,741
		<u>58,891</u>	<u>134,334</u>
Total liabilities		<u>63,294</u>	<u>140,921</u>
Total equity and liabilities		<u>540,557</u>	<u>339,294</u>

The above condensed consolidated interim statement of financial position should be read in conjunction with the accompanying notes.

Condensed consolidated interim statement of changes in equity

For the six months ended 30 June 2021

	Attributable to the owners of the Company					Total equity RMB'000
	Share capital RMB'000 (Note 18(a))	Share premium RMB'000 (Note 18(a))	Treasury shares RMB'000 (Note 18(b))	Reserves RMB'000 (Note 18(c))	Retained earnings RMB'000	
Balances at 1 January 2020	655	–	(69)	55,426	71,612	127,624
Comprehensive income						
Profit for the period	–	–	–	–	24,707	24,707
Transaction with owners						
Profit appropriations to statutory reserves	–	–	–	1,115	(1,115)	–
	–	–	–	1,115	23,592	24,707
Balances at 30 June 2020 (Audited)	655	–	(69)	56,541	95,204	152,331
Balances at 1 January 2021	655	–	(69)	65,785	132,002	198,373
Comprehensive income						
Profit for the period	–	–	–	–	16,114	16,114
Other comprehensive income						
Fair value gain on financial asset at fair value through other comprehensive income	–	–	–	3	–	3
Transaction with owners						
Profit appropriations to statutory reserves	–	–	–	675	(675)	–
Employee share-based compensation scheme:						
– value of employee services (Note 24)	–	–	14	14,486	–	14,500
Issuance of ordinary shares upon initial public offering	153	240,998	–	–	–	241,151
Shares issuance costs	–	(40,619)	–	–	–	(40,619)
Issuance of ordinary shares on conversion of convertible redeemable preference shares	32	47,709	–	–	–	47,741
	185	248,088	14	15,164	15,439	278,890
Balances at 30 June 2021 (Unaudited)	840	248,088	(55)	80,949	147,441	477,263

The above condensed consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed consolidated interim statement of cash flows

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Cash flows from operating activities		
Cash generated from operations	11,265	37,214
Interest received	108	161
Income tax paid	(2,472)	(5,406)
Net cash generated from operating activities	8,901	31,969
Cash flows from investing activities		
Purchase of property, plant and equipment	(791)	(1,228)
Purchase of intangible assets	(135)	(164)
Purchase of financial assets at fair value through profit or loss	(51,116)	(126,350)
Proceeds from disposal of financial assets at fair value through profit or loss	104,108	77,277
Investment in an associate	–	(150)
Net cash generated from/(used in) investing activities	52,066	(50,615)
Cash flows from financing activities		
Issuance of shares pursuant to the initial public offering	241,151	–
Transaction costs attributable to the initial public offering	(37,794)	(677)
Principle elements of lease liabilities	(2,588)	(2,560)
Interest element of lease payments	(218)	(223)
Dividend paid	(13,600)	–
Net cash generated from/(used in) financing activities	186,951	(3,460)
Net increase/(decrease) in cash and cash equivalents	247,918	(22,106)
Cash and cash equivalents at the beginning of the period	27,382	76,670
Effect on exchange rate difference	(1,945)	767
Cash and cash equivalents at the end of the period	273,355	55,331

The above condensed consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the condensed consolidated interim financial information

1 General information

The Company was incorporated in the Cayman Islands on 22 November 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Sertus Chambers, Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the automobile advertising service in the People's Republic of China (the "PRC") (the "Business"). The ultimate holding company of the Company is X Technology Group Inc., ("X Technology"). The ultimate controlling party of the Group is Mr. Xu Chong ("Mr. Xu").

The Company was listed on 15 January 2021 on the Main Board of The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial information are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2 Basis of preparation and accounting policies

The condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, except for the adoption of new and amended standards as set out below:

(a) New and amended standards and revised conceptual framework adopted by the Group

The following amended standards and framework have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	Covid-19-Related Rent Concessions

The adoption of the above amendments to standards did not have any significant financial impact on this condensed consolidated interim financial information.

2 Basis of preparation and accounting policies (continued)

(b) New and amended standards and annual improvement that have been issued but are not yet effective during the period and have not been early adopted by the Group

The Group has not early adopted the following new and amended standards and annual improvement that have been issued but are not yet effective for the period:

Amendments to Annual Improvement Project	Annual Improvements to IFRSs 2018-2020 ⁽²⁾
Amendments to IFRS 3, IAS 16 and IAS 37	Narrow-scope amendments ⁽²⁾
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁽¹⁾
Amendments to IAS 1 and Practice Statement 2	Disclosure of accounting policies ⁽³⁾
Amendments to IAS 8	Definition of accounting estimates ⁽³⁾
Amendments to IAS 16	Property, plant and equipment: Proceeds before intended use ⁽³⁾
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁽³⁾
IFRS 17 (New Standard)	Insurance Contracts ⁽³⁾
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾

- (1) effective for accounting periods beginning on or after 1 April 2021
- (2) effective for accounting periods beginning on or after 1 January 2022
- (3) effective for accounting periods beginning on or after 1 January 2023
- (4) no mandatory effective date is determined yet but early application is permitted

There are no standards that are not yet effective and that would be expected to have a material impact on the Group's financial performance and position.

3 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.



4 Financial risk management

4.1 Financial risk factor

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020.

There have been no changes in the risk management department or in any risk management department or in any risk management policies since year end.

4.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

4.3 Fair value estimation

(i) Fair value hierarchy

The carrying amounts of the Group's financial assets, including cash and cash equivalents, deposits and other receivables and trade and bill receivables, and financial liabilities including trade and other payables approximate to their fair values due to their short maturities.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of each of the reporting periods.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of each of the reporting periods. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

4 Financial risk management (continued)

4.3 Fair value estimation (continued)

(i) Fair value hierarchy (continued)

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the condensed consolidated interim financial information. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2021				
Financial assets at fair value through profit or loss ("FVTPL")	–	–	80,894	80,894
Financial assets at fair value through other comprehensive income ("FVOCI")	–	–	391	391
	<u>–</u>	<u>–</u>	<u>81,285</u>	<u>81,285</u>

As at 31 December 2020				
Financial assets at FVTPL	–	–	133,083	133,083
Financial assets at FVOCI	–	–	388	388
	<u>–</u>	<u>–</u>	<u>133,471</u>	<u>133,471</u>

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2021				
Convertible redeemable preference shares	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

As at 31 December 2020				
Convertible redeemable preference shares	–	–	47,741	47,741
	<u>–</u>	<u>–</u>	<u>47,741</u>	<u>47,741</u>

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the period.



4 Financial risk management (continued)

4.3 Fair value estimation (continued)

(ii) Valuation technique and process used to determine fair value

The finance department of the Group includes a team that performs the valuation of financial assets or liabilities carried at FVTPL and FVOCI required for financial reporting purposes, including level 3 fair values. This team reports directly to the board of directors. Discussions of valuation processes and results are held between the board of directors and the valuation team.

Financial assets at FVTPL

The valuation technique used to value financial instruments include the benchmarking of the expected cash inflows at the maturity of the instruments.

The main level 3 inputs used by the Group are derived and evaluated as the return rates, which are estimated based on the terms of the contract and the Group's knowledge of the financial assets and how the current economic environment is likely to impact it.

Convertible redeemable preference shares

The Group has used the market approach to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the Series A Preferred Shares as at the date of issuance and at the end of each reporting period.

Financial assets at FVOCI

The Group has used the income approach to determine the fair value of the FVOCI. A discounted cash flows model is adopted, with key assumptions such as revenue growth, gross profit margin, and discount rate being incorporated in determining the fair value of the FVOCI as at the date of acquisition and at the end of each reporting period.

There were no changes in valuation techniques during the period ended 30 June 2021.

5 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company who make strategic decisions. The CODM considers that the Group has two operating and reporting segments and assesses the performance of these segments based on revenue. No information of segment results, segment assets and liabilities are presented since the resources allocation and performance assessment does not include the segment results, assets and liabilities.

As a result of this evaluation, the Group determined that it has operating segments as follows:

- the provision of automobile-related advertising service and publication of automobile-related articles and videos, both of which are published on the Group's online platform ("Online advertising service");
- the provision of transaction facilitation service, is assisting car dealers or marketing agents in hosting exhibitions and advertising campaigns, facilitating the target customers in purchasing automobiles; or trading automobiles to customers during the advertising campaign of car dealers and assisting in logistic arrangements and quality inspection ("Transaction facilitation service").

Geographical information

All the revenue of the Group was generated in the PRC for the six months ended 30 June 2021 and 2020. All non-current assets were kept in the PRC as at 30 June 2021 and 31 December 2020.

The revenue geographical information above is based on where the Company and its subsidiaries are located. The non-current asset information above is based on the locations of the assets.

6 Revenue

(a) An analysis of the Group's revenue for the six months ended 30 June 2021 and 2020 is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Revenue from contracts with customers:		
<i>Recognised over time</i>		
Online advertising service	93,583	58,720
Transaction facilitation service	–	177
<i>Recognised at a point in time</i>		
Transaction facilitation service	582	–
	<u>94,165</u>	<u>58,897</u>

(b) Information about the major customer

Revenue from transactions with the external customer accounting for 10% or more of Group's total revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Customer A	N/A ⁽¹⁾	10,450
Customer B	11,409	N/A ⁽¹⁾

(1) The respective customers did not contribute over 10% of the total revenue of the Group in the corresponding periods.

7 Expenses by nature

Expenses included in (net impairment loss)/reversal of net impairment loss on financial and contract assets, cost of providing services, selling and distribution expenses, administrative expenses and research & development expenses are analysed as follows:

	<i>Note</i>	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Marketing and promotion expenses		10,284	5,277
Amortisation of intangible assets	14	534	476
Depreciation of property, plant and equipment	13	464	190
Depreciation of right-of-use assets	13	2,523	2,888
Employee benefit expenses		40,740	19,507
Expense of website maintenance and internet improvement		9,131	1,232
Advertisement production and other direct expenses		8,483	4,817
Listing expenses		2,087	3,666
Other taxes		1,200	1,204
Legal and professional fee		1,696	1,224
Provision for impairment of financial and contract assets		640	1,854
Reversal of bad debt previously written off		–	(3,727)
Auditors' remuneration		724	–
Miscellaneous		2,693	2,117
		<u>81,199</u>	<u>40,725</u>

8 Other income

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Government grant (Note (a))	5,380	402
Value added tax super credit	432	750
Consultancy income (Note (b))	4,555	–
Others	313	512
	<u>10,680</u>	<u>1,664</u>

- (a) The amount represents government grant from Chaoyang People's Government of the PRC in respect of the successful listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on 15 January 2021. There are no unfulfilled conditions and other contingencies attached to the government grant.
- (b) The consultancy income represents advisory service in relation to merger and acquisition provided to an independent third party during the period ended 30 June 2021 with contract sum of RMB4,555,000.

9 Other (losses)/gains, net

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Fair value gain on financial assets at FVTPL	803	1,662
Fair value gain on convertible redeemable preference shares	–	5,932
Exchange (loss)/gain, net	<u>(1,945)</u>	<u>772</u>
	<u>(1,142)</u>	<u>8,366</u>

10 Income tax expense

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Current income tax	6,225	5,166
Deferred income tax	55	(1,789)
Income tax expense	<u>6,280</u>	<u>3,377</u>

The Group's principal applicable taxes and tax rates are as follows:

(a) Cayman Islands

Under the current laws of Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(b) British Virgin Islands

The Group's entities incorporated in British Virgin Islands are not subject to tax on income or capital gains.

(c) Hong Kong

Hong Kong profits tax has not been provided as the Group entities incorporated in Hong Kong has no estimated assessable profit for the period ended 30 June 2021 (2020: Nil).

(d) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The statutory PRC CIT rate is 25% for the six months ended 30 June 2021 (2020: 25%).

A subsidiary of the Company established in the PRC has obtained approval from the in-charge tax authority in the PRC as High-New Technology Enterprise as defined under the New Enterprise Income Tax Law. Such entity is entitled to a reduced preferential enterprise income tax ("EIT") rate at 15% ("HNTE Preferential Tax Rate") for a 3-year period from October 2020 to October 2023. Accordingly, it was subject to the HNTE Preferential Tax Rate at 15% for the six months ended 30 June 2021 (2020: 15%).

10 Income tax expense (continued)

(e) Withholding tax on undistributed profits

According to CIT law, distribution of profits earned by PRC companies since 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. During the six months ended 30 June 2021 and 2020, the Group does not have any profit distribution plan. Deferred income tax liabilities have not been recognised for the withholding tax that would be payable on the distributable retained profits amounting to RMB15,904,000 (31 December 2020: RMB13,704,000), as at 30 June 2021 of the Group's subsidiaries in Mainland China earned after 1 January 2008 because the Group does not have a plan to distribute these earnings from its PRC subsidiaries. The Group has the discretion to do so and it will re-invest in those PRC subsidiaries in the future.

11 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the Group's profit attributable to equity owners of the Company by the weighted average number of outstanding ordinary shares in issue during the six months ended 30 June 2021 and 2020.

Pursuant to clause 4.6.3 of the Pre-IPO Shareholder's Agreement signed between the Company and the Pre-IPO investor, the Series A Preferred Shares were converted to ordinary shares on 21 June 2019. However, according to clause 4.6.2 of the Pre-IPO Shareholder's Agreement, the ordinary share can be converted back to Series A Preferred Shares when the listing event has been denied, rejected or dismissed. Hence, the above said ordinary shares continued being recognised as Series A Preferred Shares according to the substance. Accordingly, the aforesaid ordinary shares and the 25,000,000 bonus shares were not included in the calculation of basic earnings per share for the six months ended 30 June 2020. On 15 January 2021, in connection with the Listing of the Company's shares, each Series A Preferred share shall automatically be converted into fully-paid ordinary shares based on the then-effective applicable conversion price upon the listing documents submission date.

	Six months ended 30 June	
	2021	2020
Profit attributable to equity owners of the Company (RMB'000)	16,114	24,707
Weighted average number of ordinary shares in issue	1,131,039,779	850,000,000
Basic earnings per share (in RMB/share)	0.01	0.03

11 Earnings per share (continued)

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted earnings per share equals to the basic earnings per share for the six months ended 30 June 2021 as there were no potential dilutive ordinary shares outstanding during the period.

For the six months ended 30 June 2020, the diluted earnings per share was calculated by considering the impact of the aforesaid 25,000,000 Series A Preferred Shares and 25,000,000 bonus shares, in which the related redemption feature of the Pre-IPO Shareholder's Agreement is in the money and has dilutive impact on the earnings per share calculation. The Series A Preferred Shares and bonus shares are further detailed in Note 18(a)(ii).

Diluted earnings per share	Six months ended 30 June 2020
Profit attributable to equity owners of the Company (RMB'000) (i)	18,775
Weighted average number of ordinary shares in issue (ii)	900,000,000
Diluted earnings per share (in RMB/share)	<u>0.02</u>

(i) Reconciliations of earnings used in calculating diluted earnings per share

	Six months ended 30 June 2020 RMB'000
Profit attributable to the ordinary equity owners of the Company:	
Used in calculating basic earnings per share	24,707
Less: fair value gain on convertible redeemable preference shares	<u>(5,932)</u>
Used in calculating diluted earnings per share	<u>18,775</u>



11 Earnings per share (continued)

(b) Diluted earnings per share (continued)

(ii) Weighted average number of shares used as the denominator

	Six months ended 30 June 2020
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	850,000,000
Adjustments for calculation of diluted earnings per share:	
Convertible redeemable preference share and bonus shares	<u>50,000,000</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>900,000,000</u>

12 Dividend

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

13 Property, plant and equipment and right-of-use assets

	Computer and electronic equipment RMB'000	Office furniture and equipment RMB'000	Leasehold improvement RMB'000	Vehicles RMB'000	Property, plant and equipment Total RMB'000	Right-of-use assets (Note 1) RMB'000	Property, plant and equipment and right-of-use assets Total RMB'000
Six months ended 30 June 2020							
Opening net book amount	471	5	–	–	476	615	1,091
Additions	185	29	1,014	–	1,228	14,791	16,019
Depreciation	(131)	(1)	(56)	–	(188)	(2,890)	(3,078)
Closing net book amount	525	33	958	–	1,516	12,516	14,032
Cost	1,467	42	1,014	–	2,523	28,904	31,427
Accumulated depreciation	(942)	(9)	(56)	–	(1,007)	(16,388)	(17,395)
Net book amount	525	33	958	–	1,516	12,516	14,032
Six months ended 30 June 2021							
Opening net book amount	738	53	761	357	1,909	11,705	13,614
Additions	408	10	–	373	791	–	791
Depreciation	(221)	(9)	(169)	(65)	(464)	(2,523)	(2,987)
Closing net book amount	925	54	592	665	2,236	9,182	11,418
Cost	2,247	81	1,014	762	4,104	29,248	33,352
Accumulated depreciation	(1,322)	(27)	(422)	(97)	(1,868)	(20,066)	(21,934)
Net book amount	925	54	592	665	2,236	9,182	11,418

Note 1: As at 30 June 2021 and 31 December 2020, the right-of-use assets relate to the leased premises of the Group.

14 Intangible assets

	Goodwill RMB'000	Trademarks and domain names RMB'000	Customer relationship RMB'000	Computer software RMB'000	Total RMB'000
Six months ended 30 June 2020					
Opening net book amount	6,153	5,449	–	31	11,633
Amortisation	–	(468)	–	(8)	(476)
Closing net book amount	6,153	4,981	–	23	11,157
Cost	6,153	9,345	1,273	69	16,840
Accumulated amortisation	–	(4,364)	(1,273)	(46)	(5,683)
Net book amount	6,153	4,981	–	23	11,157
Six months ended 30 June 2021					
Opening net book amount	6,153	4,514	–	169	10,836
Additions	–	–	–	135	135
Amortisation	–	(467)	–	(67)	(534)
Closing net book amount	6,153	4,047	–	237	10,437
Cost	6,153	9,345	1,273	393	17,164
Accumulated amortisation	–	(5,298)	(1,273)	(156)	(6,727)
Net book amount	6,153	4,047	–	237	10,437

15 Trade and bill receivables

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Bill receivables	27,046	10,597
Trade receivables	97,006	122,349
	124,052	132,946
Less: allowance for impairment	(6,169)	(5,868)
Total trade and bill receivables, net	117,883	127,078

- (a) The credit terms of trade receivables granted by the Group is generally 180 days. The ageing analysis based on recognition date of the gross trade receivables is as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 90 days	47,541	63,771
91 to 180 days	32,415	26,974
181 to 365 days	13,821	24,805
Over 1 year	3,229	6,799
	97,006	122,349

Ageing of bill receivables was within 6 months as at 30 June 2021 and 31 December 2020.

- (b) The carrying amounts of the Group's trade and bill receivables were denominated in RMB and approximated to their fair values as at 30 June 2021 and 31 December 2020.

16 Prepayments, deposits and other receivables

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Non-current portion		
Rental deposits	1,597	1,597
	<u>1,597</u>	<u>1,597</u>
Current portion		
Prepayments		
Prepayments to and refund receivables from suppliers	21,384	7,163
Prepaid listing expenses	–	5,722
Staff advances	1,588	1,317
Prepaid income tax	175	–
Rental deposits	80	82
Other tax receivables	8,775	8,255
Consultancy service receivables	4,600	–
Others	68	8
	<u>36,670</u>	<u>22,547</u>
Gross prepayments, deposits and other receivables	36,670	22,547
Less: allowance for impairment on other receivables	(339)	–
	<u>36,331</u>	<u>22,547</u>
Net deposits and other receivables	36,331	22,547
	<u>37,928</u>	<u>24,144</u>
Total	37,928	24,144

17 Financial assets at FVTPL

Financial assets at FVTPL represented wealth management products. The principal or returns on the wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, the Group classified them as financial assets at FVTPL. Changes in fair value (realised and unrealised) of the financial assets had been recognised in “Other (losses)/gains, net” in the condensed consolidated interim income statement.

The financial assets at FVTPL were denominated in RMB as at 30 June 2021 and 31 December 2020.

18 Share capital, reserves and share premium

(a) Share capital

Authorised share capital	Number of ordinary shares '000	Nominal value of ordinary shares USD'000
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Ordinary share of USD0.0001 each at 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	10,000,000	1,000
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Issued share capital	Number of ordinary shares	Nominal Value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
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Ordinary shares as at 1 January 2020, 30 June 2020 and 1 January 2021	950,000,000	95	655	–
Issuance of ordinary shares upon initial public offering (Note (i))	234,600,000	24	153	240,998
Shares issuance costs	–	–	–	(40,619)
Issuance of shares on conversion of convertible redeemable preference shares (Note (ii))	50,000,000	5	32	47,709
As at 30 June 2021	1,234,600,000	124	840	248,088

18 Share capital, reserves and share premium (continued)

(a) Share capital (continued)

- (i) On 15 January 2021, in connection with the Listing of the Company's shares, the Company issued 234,600,000 shares at a price of HK\$1.23 per share for a total of HK\$288,558,000 (equivalent to RMB241,151,000) before deducting related expenses.
- (ii) On 27 May 2019, 25,000,000 Series A Preferred Shares was created by redesignating the authorised but unissued ordinary shares. After the re-designation, the authorised share capital of the Company became 475,000,000 Ordinary Shares and 25,000,000 Series A Preferred Shares. On the same day, pursuant to the Pre-IPO Investment Agreement, the Company allotted and issued 25,000,000 Series A Preferred Shares to the Pre-IPO investor, LYL Weihui Limited, credited as fully paid, for a total consideration of RMB50,000,000.

On 15 January 2021, in connection with the Listing of the Company's shares, each Series A Preferred share shall automatically be converted into fully-paid ordinary shares based on the then-effective applicable conversion price upon the listing documents submission date.

(b) Treasury shares

On 25 June 2019, the Company's shareholders approved and adopted the Incentive Schemes. The Company has appointed Core Trust Company Limited as the custodian (the "Scheme Custodian") to assist with the administration of the Incentive Schemes, and Glory Tower Investments Limited, an indirectly wholly-owned subsidiary of the Scheme Custodian, as nominee of the RSU Scheme (the "RSU Nominee"), and Colourful Sky International Limited, an indirectly wholly-owned subsidiary of the Scheme Custodian, as nominee of the SA Scheme (the "SA Nominee"). Accordingly, 100,000,000 ordinary shares subscribed by the Scheme Custodian at par value which amounted to RMB69,000 on 21 June 2019 and was accounted for as treasury shares as at 30 June 2020. On 15 January 2021, in connection with the Listing of the Company's shares, share awards of 20,000,000 were granted to the CFO as further detailed in Note 24.

18 Share capital, reserves and share premium (continued)

(c) Reserves

	Statutory reserves RMB'000	Other reserves RMB'000	Share-based payment reserve RMB'000	Revaluation reserve RMB'000	Total RMB'000
Balance at 31 December 2019 and 1 January 2020	14,865	40,561	–	–	55,426
Appropriation to statutory reserves (Note (i))	1,115	–	–	–	1,115
Balance at 30 June 2020	15,980	40,561	–	–	56,541
Balance at 1 January 2021	19,116	40,561	6,108	–	65,785
Appropriation to statutory reserves (Note (i))	675	–	–	–	675
Employee share-based compensation scheme: – value of employee services (Note a and Note 24)	–	–	14,486	–	14,486
Fair value gain on FVOCI	–	–	–	3	3
Balance at 30 June 2021	19,791	40,561	20,594	3	80,949

Note a: Share-based compensation reserve arises from share-based payments granted to employees of the Group, see Note 24 for details.

- (i) In accordance with relevant regulations prevailing in the PRC, the Company's subsidiaries established and operating in the PRC are required to appropriate 10% of their profit after income tax calculated under the accounting principles generally applicable to the PRC enterprises to the statutory reserve until the fund aggregates 50% of their respective registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory reserve must be maintained at a minimum of 25% of capital after these usages.

19 Trade payables

Trade payables are non-interest-bearing.

The ageing analysis of trade payables based on recognition date is as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 90 days	391	1,045
91 to 180 days	–	386
181 to 365 days	50	359
Over 2 years	1,242	1,242
	<u>1,683</u>	<u>3,032</u>

The carrying amounts of the Group's trade payables were denominated in RMB and approximated to their fair values as at 30 June 2021 and 31 December 2020.

20 Accruals and other payables

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Current portion		
Payroll and welfare payable	12,456	17,225
Other taxes payable	13,143	12,509
Trading deposits received	382	392
Rebate payables	367	1,209
Listing expense payables	2,825	12,939
Payable to advertising service providers	1,876	7,211
Others	3,624	3,032
	<u>34,673</u>	<u>54,517</u>
Total	<u>34,673</u>	<u>54,517</u>

21 Contingencies

As at 30 June 2021 and 31 December 2020, the Group did not have any material contingent liabilities.

22 Related party transactions

(a) Names and relationships with related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, to joint control over the party or exercise significant influence over the other party in making financial and operation decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

(b) Transactions with related parties

There were no transactions with related parties during the six months ended 30 June 2021 and 2020.

(c) Balances with shareholders – non-trade

Amounts due from shareholders were unsecured, interest-free and repayable on demand as at 31 December 2020. The balance as at 31 December 2020 were settled by the shareholders in full during the period.

The carrying amounts of amounts due from shareholders are approximated to their fair values and were denominated in US\$.

(d) Key management compensation

Key management includes Executive Directors and senior management of the Group.

Compensation of the key management personnel of the Group, including directors' remuneration was as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Wages, salaries and bonuses	967	1,641
Pension costs – defined contribution plans	78	25
Other social security costs, housing benefits and other employee benefits	98	109
	<u>1,143</u>	<u>1,775</u>

23 Convertible redeemable preference shares

On 27 May 2019, 25,000,000 Series A Preferred Shares was created by redesignating the authorised but unissued ordinary shares. After the re-designation, the authorised share capital of the Company became 475,000,000 Ordinary Shares and 25,000,000 Series A Preferred Shares. On the same day, pursuant to the Pre-IPO Investment Agreement, the Company allotted and issued 25,000,000 Series A Preferred Shares to the Pre-IPO investor, LYL Weihui Limited, credited as fully paid, for a total consideration of RMB50,000,000.

Pursuant to clause 4.6.3 of the Pre-IPO Shareholder's Agreement signed between the Company and the pre-IPO investor, the Series A Preferred Shares were converted to ordinary shares on 21 June 2019. However, according to clause 4.6.2 of the Pre-IPO Shareholder's Agreement, the ordinary share can be converted back to Series A Preferred Shares when the listing event has been denied, rejected or dismissed. Hence, the abovesaid ordinary shares continued to be recognised as Series A Preferred Shares according to the substance.

(a) Conversion feature

Each Series A Preferred Share may, at the option of the holder, be converted at any time after the original issue date into fully-paid ordinary shares at an initial conversion ratio of 1:1 subject to adjustment for share split, ordinary share dividends and distributions, reorganisation and other similar capitalisation events.

(b) Redemption feature

The shareholders of preferred shares may give a written notice to the Company at any time or from time to time requesting redemption of all or part of their preferred shares under specific conditions as provided in the Pre-IPO Shareholder's Agreement.

The Company shall redeem the preferred shares if (i) the Company has failed to apply for the initial public offering on or before the 31 December 2020, or the Company has failed to obtain listing status by 31 December 2021; or (ii) the Group or the founding shareholder maliciously violate the clauses or fail to perform their obligations as stated in the Pre-IPO Shareholder's Agreement; or (iii) the Group has failed its profit guarantee to a) obtain accumulated net profit of 2019 and 2020 by RMB80,000,000 after exclusion of non-operating income and expenses; or b) obtain net profit by RMB40,000,000 after exclusion of non-operating income and expenses; or (iv) the founding shareholder or its related party misappropriate the Group's funds or other assets.

In addition, each Series A Preferred share shall automatically be converted into fully-paid ordinary shares based on the then-effective applicable conversion price upon the listing documents submission date. The ordinary share can be converted back to Series A Preferred Shares when the listing event has been denied, rejected or dismissed.

The redemption price shall be paid by the Company to the Preferred Shares holder by the amount equal to the issue price of the Series A Preferred Shares, plus a ten percent (10%) per annum single interest of the issue price on each Series A Preferred Shares accrued during the period from the issue date of each Series A Preferred Shares until the date stated on redemption notice on which the Preferred Shares are to be redeemed, net with any paid dividends.

23 Convertible redeemable preference shares (continued)

(c) The movement of the convertible redeemable preferred shares is set out as below:

	RMB'000
As at 1 January 2020	48,377
Changes in fair value	<u>(636)</u>
As at 31 December 2020 (Audited)	47,741
Conversion of convertible redeemable preferred shares (Note 18 (a)(ii))	<u>(47,741)</u>
As at 30 June 2021 (Unaudited)	<u>–</u>

(d) The Group has used the market approach to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the Series A Preferred Shares as at the date of issuance and at the end of each reporting period.

The Group estimated the risk-free interest rate based on the CNY China Sovereign Bond. The DLOM was estimated based on the option-pricing method. Volatility was estimated based on historical volatility of comparable companies for a period from the respective valuation date and with similar span as time to expiration. Probability weight under each of the conversion feature and redemption feature was based on the Group's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Series A Preferred Shares on each valuation date.

24 Share-based payments

On 25 June 2019, the Group adopted the RSU Scheme and SA Scheme, to incentivise the Group's directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

On 25 December 2020, the board of directors of the Company has resolved to grant 17 employees under the RSU Scheme 2,170,000 restricted share units (representing 2,170,000 underlying shares of the Company) and 5 employees under the SA Scheme 80,000,000 share awards (representing 80,000,000 underlying shares of the Company).



24 Share-based payments (continued)

On 14 January 2021 (the “Grant date”), the Company has granted the above restricted share units and share awards to the selected employees.

The fair value of the restricted share units and the share awards are measured at the Grant date. The vesting period of the restricted share units and the share awards started on 25 December 2020, which is the date when the employees were aware of the RSU Scheme and SA Scheme and has begun providing services to satisfy the condition attached to the schemes.

As at 30 June 2021, the shares of the Company underlying the restricted share units and the share awards that will be granted were held by the RSU Nominee and SA Nominee, respectively.

The RSU Scheme and SA Scheme will be valid and effective for a period of ten years, commencing from its adoption date, being 25 June 2019.

RSU Scheme

The restricted share units granted to each of the employees will be vested in 4 years, subject to certain performance criteria and service condition of the employees. Every 25% of the granted restricted share units are vested on 1 April of each year, through 1 April 2022 to 1 April 2025 respectively. The restricted share units are exercisable prior to the earlier of the termination of the employees’ employment or the 10th anniversary of the Grant date.

The weighted average Grant date fair value per each restricted share unit amounted to RMB0.01.

The fair value of the restricted share units was calculated based on the estimated market price of the Company’s shares at the Grant date factored in the probability of vesting per Monte Carlo Simulation.

The total expenses recognised in the condensed consolidated interim income statement for the restricted share units granted to the Group’s employees under the RSU Scheme are RMB8,000 for the six months ended 30 June 2021.

24 Share-based payments (continued)

RSU Scheme (continued)

The restricted share units granted subsequent to 31 December 2020 have been vesting during the six months ended 30 June 2021, set out below is the summary of restricted share units granted under the RSU Scheme:

	Vesting Period	At the Grant date	
		Total fair value of restricted share unit RMB'000	Number of restricted share units granted
Tranche 1	25 December 2020 – 1 April 2022	17	542,500
Tranche 2	2 April 2022 – 1 April 2023	2	542,500
Tranche 3	2 April 2023 – 1 April 2024	2	542,500
Tranche 4	2 April 2024 – 1 April 2025	–	<u>542,500</u>
Total			<u>2,170,000</u>
Vested and exercisable at 30 June 2021		–	–

SA Scheme – granted to the Chief Financial Officer (“CFO”) of the Group

Share awards of 20,000,000 (representing 20,000,000 underlying shares of the Company) were granted to the CFO on 14 January 2021. The share awards granted to the CFO was fully vested upon the listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (15 January 2021).

The weighted average Grant date fair value per each share award amounted to RMB1.04.

The fair value of the share awards was calculated based on the estimated market price of the Company’s shares at the Grant date factored in the marketability discount.

The total expenses recognised in the condensed consolidated interim income statement for the share awards granted to the CFO under the SA Scheme is RMB14,276,000 for the six months ended 30 June 2021.

24 Share-based payments (continued)

SA Scheme – granted to other selected employees of the Group

Share awards of 60,000,000 (representing 60,000,000 underlying shares of the Company) were granted to selected employees on 14 January 2021. The share awards granted to the selected employees will be vested in 4 years, subject to certain performance criteria and service condition of the employees. Every 25% of the granted restricted share units are vested on 1 April of each year, through 1 April 2022 to 1 April 2025 respectively.

The weighted average Grant date fair value per each share award amounted to RMB0.01.

The fair value of the share awards was calculated based on the estimated market price of the Company's shares at the Grant date factored in the marketability discount.

The total expenses recognised in the condensed consolidated interim income statement for the share awards granted to the selected employees under the SA Scheme are RMB202,000 for the six months ended 30 June 2021.

The share awards granted subsequent to the period end date have been vesting during the six months ended 30 June 2021, set out below is the summary of share awards granted under the SA Scheme:

	Vesting Period	At the Grant date	
		Total fair value of restricted share unit RMB'000	Number of restricted share units granted
Tranche 1	25 December 2020 – 1 April 2022	493	15,000,000
Tranche 2	2 April 2022 – 1 April 2023	44	15,000,000
Tranche 3	2 April 2023 – 1 April 2024	2	15,000,000
Tranche 4	2 April 2024 – 1 April 2025	–	15,000,000
Total			<u>60,000,000</u>
Vested and exercisable at 30 June 2021		–	–

25 Subsequent events

Reference is made to the proposed change of the English name of the Company from “Cheshi Holdings Limited” to “Cheshi Technology Inc.” and the proposed adoption of the Chinese name of “車市科技有限公司” as the dual foreign name of the Company as set out in the Company’s announcement dated 6 July 2021, circular dated 29 July 2021 and poll results announcement dated 16 August 2021. The Company has received a copy of the certificate of incorporation on change of name issued by the Registry of Companies in the Cayman Islands on 19 August 2021, certifying the Company was incorporated under the name of Cheshi Technology Inc. from 19 August 2021. The Company is in the process of registering with the Companies Registry of Hong Kong pursuant to Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) in relation to the change of the Company’s name and will further apply to the Stock Exchange for the change in its stock short name. Save as the above, the Group is not aware of any significant events after the six months ended 30 June 2021 and up to the date of this report.

DEFINITIONS



In this interim report, the following expressions have the meanings set out below unless the context otherwise requires:

“Board” or “Board of Directors”	board of directors of the Company
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Chairman”	chairman of the Board
“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of China herein
“CIC”	China Insights Industry Consultancy Limited, a market research and consulting company to conduct research and analysis of, and to produce an industry report of the automobile vertical media advertising industry in China
“CIC Report”	an industry report prepared by CIC on the automobile vertical media advertising industry in China in relation to the Global Offering of the Company
“Company” or “the Company”	Cheshi Technology Inc. 車市科技有限公司, formerly known as Cheshi Holdings Limited, an exempted company incorporated in the Cayman Islands on November 22, 2018 with limited liability and the Shares are listed on the Main Board of the Stock Exchange on January 15, 2021 (Stock code: 1490)
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules and in the context of the Prospectus, refers to the controlling shareholders of our Company, being Mr. Xu and X Technology
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“Director(s)”	director(s) of the Company
“Global Offering”	the Hong Kong Public Offering of 20,400,000 Shares for subscription by the public in Hong Kong and the International Offering (as defined respectively in the Prospectus) of initially 183,600,000 Shares for subscription by the institutional, professional, corporate and other investors
“Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and its consolidated affiliated entities, or where the context refers to any time prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)



“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“ICBC”	Industrial and Commercial Bank of China
“IT”	information technology
“KOL”	Key opinion leader
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	January 15, 2021, the date on which the Shares of the Company were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Xu”	Mr. Xu Chong (徐翀), a founder, an executive Director, chairman of the Board, the chief executive officer of the Company and a Controlling Shareholder
“Online Advertising Service”	one of the Group’s two business segments, in which revenue is generated primarily by providing a range of advertising services and advertising solutions to our advertising agency, automaker and autodealer customers
“PC”	personal computer
“PGC”	professionally-generated content
“Picker”	the intelligent internet platform that serves content distribution
“Prospectus”	the prospectus of the Company dated December 31, 2020
“R&D”	research and development
“Reporting Period”	the six months ended June 30, 2021
“RMB”	Renminbi, the lawful currency of the PRC
“RSU”	restricted share unit
“RSU Nominee”	Glory Tower Investments Limited, a BVI business company incorporated under the laws of the BVI on May 30, 2019 and an indirect wholly-owned subsidiary of the Core Trust Company Limited, which holds the Shares underlying the RSUs for the benefit of eligible participants pursuant to and under the Restricted Share Unit Scheme

DEFINITIONS



“RSU Scheme”	the RSU scheme approved and conditionally adopted by the Shareholders on June 25, 2019, the principal terms of which are set forth in “Statutory and General Information – G. RSU Scheme and SA Scheme – 1. RSU Scheme” in Appendix IV to the Prospectus
“SA Nominee”	Colourful Sky International Limited, a BVI business company incorporated under the laws of the BVI on May 29, 2019 and an indirect wholly-owned subsidiary of the Core Trust Company Limited, which holds the shares underlying the restricted share awards for the benefit of eligible participants pursuant to and under the Share Award Scheme
“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“SA Scheme”	the restricted share award scheme approved and conditionally adopted by the Shareholders on June 25, 2019. the principal terms of which are set forth in “Statutory and General Information – G. RSU Scheme and SA Scheme – 2. SA Scheme” in Appendix IV to the Prospectus
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the issued capital of the Company with nominal value of US\$0.0001 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction Facilitation Service”	one of the Group’s two business segments, in which revenue is derived primarily by offering services and solutions to promote group-purchase events for autodealers and an insurance company
“United States”	the United States of America
“US\$”	U.S. dollars, the lawful currency of the United States of America
“X Technology”	X Technology Group Inc., a BVI business company incorporated under the laws of the BVI with liability limited by shares on November 19, 2018, which is wholly-owned by Mr. Xu and formerly known as XC Group Limited
“%”	per cent